

RECORD IN  
BEFORE THE TENNESSEE REGULATORY AUTHORITY  
MEMPHIS, TENN.

Nashville, Tennessee

'88 JUN 3 AM 10 03

IN RE: PETITION OF ON-SITE SYSTEMS, INC. )  
TO CHANGE RATE STRUCTURE, )  
INCREASE RATES AND ADD FEES )

EXECUTIVE SECRETARY  
DOCKET NO. 99-00393

PETITION

Petitioner, On-Site Systems, Inc. (On-Site), a Tennessee corporation authorized to conduct a public utility business in the State of Tennessee, does hereby file with the Tennessee Regulatory Authority (Authority), this Petition, with Exhibits, and a Revised Tariff and requests that the Authority, pursuant to T.C.A. § 65-5-201, et seq., hear and determine that the increased rates as reflected in the Revised Tariff are just and reasonable. In support of this request, On-Site Systems, Inc. avers that:

1. That it is a public utility as defined by T.C.A. § 65-4-101 and subject to the regulation of this Authority. It was granted its original Certificate of Convenience and Necessity from the Public Service Commission on April 4, 1994 to provide sewer service to Oakwood Subdivision in Maury County. Subsequently, petitioner expanded its service territory to include Southridge Subdivision in Montgomery County, Swan Harbour Subdivision in Roane County, River Road Utility District in Cheatham County, Milcrofton Utility District in Williamson County, Tall Oaks Subdivision in Blount County, Yoakum Hollow Development in Campbell County, and the Shreibman Development in Cannon County.

2. The existing rate will not provide, and cannot be made to provide, sufficient revenues to cover all the cost incurred in providing adequate sewer service. The initial order of the Commission set the rate for sewer service for homes in Oakwood Subdivision in Maury County at \$8.49. Though this rate was established in April of 1994 based on a preliminary estimate, as of December 31, 1998 no homes in Oakwood Subdivision had signed up for service and no Oakwood customer had yet paid this rate. At present, it appears that three customers will be signed up for sewer service in Oakwood Subdivision in 1999.

3. As On-Site Systems, Inc. requested each of the additional service areas, they were assigned the same \$8.49 per month rate as the Oakwood Subdivision. As of December 31, 1998, the only subdivision with paying customers was Southridge in Clarksville where sixteen (16) customers were paying monthly sewer bills. At that development, On-Site Systems, Inc. is providing only collection, without treatment and disposal, as the effluent is sent to Clarksville. On-Site was authorized to pass directly through to the customers the fees charged by Clarksville for treatment and disposal of the effluent. As a result of the small number of customers and the moderate expense incurred in collection systems only, the financial losses on operations have thus far been limited.

4. Due to a misunderstanding of the necessary components which should have been included in the initial Tariff, the initial Tariff proposal of \$8.49 considered only core costs such as operation and maintenance for the collection system. The initial Tariff erroneously failed to include calculations for the many other costs necessarily incurred in the provision of adequate sewer

service.

5. Attached to this Petition as Exhibits 1 through 15, are the system wide list of categories of expenses which are necessarily incurred in the provision of adequate sewer service. These are the standard categories of cost associated with such provision, including but not limited to, treatment costs, utility costs, disposal system costs, sampling, testing and reporting costs, billing and collection costs, governmental fees, management fees and corporate, property and federal taxes. On-Site has also filed simultaneously herewith Revised Tariff documents which include Revised Rules and Regulations. The Rules and Regulations include a few categories of cost such as delinquent charges and access fees.

6. As a regulated utility, On-Site must have customer rates approved that will permit it to cover all costs necessarily incurred in providing sewer service and which will permit it to earn a sufficient rate of return to remain a viable business entity. The existing rate of \$8.49 is very close to adequate to cover collection system operation and maintenance. The rate proposed, see Exhibit 1, is broken down by actual expenditures and proposes a total rate of \$8.95. This constitutes only a 46¢ increase over the existing Tariff. However, the existing Tariff covers only collection system operation and maintenance, thus failing to cover the actual costs of treatment, disposal, billing other expenses associated with operating a corporate entity which provides sewer service. Each Exhibit attached hereto provides a break down of a proposed cost category. The Revised Tariff filed simultaneously herewith adopts that standard category cost for each category which is applicable to sewer service for the listed entity.

7. Under the present rate, On-Site's revenues are not sufficient and cannot be made sufficient to:

- (a) Meet the needs of the public for the provision of adequate sewer service;
- (b) Maintain corporate operations and viable existence as a corporate entity;
- (c) Earn a fair rate of return to which it is entitled under Article I, Section 8 of the Constitution of Tennessee, and the Fourteenth Amendment to the Constitution of the United States;

8. As is found in the testimony of On-Site President, Charles Pickney, Jr., and as is shown by the Financial Information, both of which are filed contemporaneously herewith, without rate relief, On-Site cannot provide service nor continue as a viable entity.

9. The Financial Information filed herewith includes a profit and loss statement for calendar year 1998 which shows a loss of \$872.09 based on the existing rate. As indicated in Paragraphs 2 and 3 herein, this loss was incurred with On-Site providing a very small number of customers collection only service in which the cost of treatment and disposal were passed directly through to those customers. This pass through cost service constitutes only a small percentage of On-Site's future customers. Had On-Site served even a small number of non-pass through cost customers, its losses would have been substantial. The 1999 Projected Profit and Loss statement in the Financial Information establishes that even with the substantially Revised Tariff proposed herewith, On-Site's net income for the year would be approximately \$1,600.00 when serving 47

customers. Using the increased Tariff requested herein, the projections for year 2000 show On-Site serving 148 customers and receiving under \$5,000.00 of net operating profit.

10. On-Site is requesting a substantial increase in its Tariff because the initial Tariff failed to include necessary components of cost. The existing Tariff is totally inadequate to cover the costs associated with providing collection, treatment and disposal of sewage for the developments which will require service beginning in 1999. Though the existing Tariff comes close to adequately covering the cost of operation and maintenance for collection, when the other necessary components of expense are considered, the existing Tariff funds less than thirty percent (30%) of the revenue needed. On-Site has proposed the Revised Tariff to begin customer billing at a rate adequate to fund all components necessary to the provision of adequate service.

11. On-Site has filed simultaneously herewith a Revised Tariff designed to produce the additional necessary revenues. On-Site avers that the above proposed changes would fix just and reasonable rates taking into account the safety, adequacy and efficiency of the service furnished by On-Site. On-Site further avers that the Revised Tariff as filed is economically feasible, provides a fair and reasonable rate of return and is in the best interest of On-Site and the customers it serves. Therefore, On-Site respectfully requests that the Revised Tariff be approved.

WHEREFORE, the Company requests the Authority to:

1. Schedule a hearing upon proper notice for the presentation of evidence as to the rates necessary to provide adequate sewer service to its customers and a fair rate of return to the

## **TESTIMONY OF CHARLES L. PICKNEY, JR.**

On-Site Systems, Inc. is a Tennessee corporation which was formed in March of 1993. At the time of forming, the corporation had three stockholders and officers: Robert Pickney - President/Treasurer, Thomas Pickney - Vice President, and William Pickney - Secretary. The purpose of forming the corporation was to establish a public utility company that would provide sewer service.

The Pickney brothers had been in the on-site sewer system construction business since 1989 and were familiar with a combination of on-site technologies that would make it possible to provide sewer service to small communities and subdivisions. Realizing that proper operation and maintenance would be critically important to the long term success of these systems, they created On-Site Systems, Inc. to provide for that need. In addition to maintenance and operation, the Pickney brothers were in a unique position to provide technical expertise and management to insure that the systems would be properly designed and constructed.

Prior to joining my brothers in On-Site Systems, Inc., I had spent much of my career in management of engineering firms. I earned a bachelors degree in Mechanical Engineering from Tennessee Technological University in 1973 and a masters degree in Business Administration from the University of North Alabama in 1977. I passed the professional engineer's examination in 1978 and I am licensed to practice engineering in three states. In 1982 I established the consulting engineering firm, Pickney & Associates,

Inc., and by 1987 it had grown to employ 25 people. The firm was acquired by a larger one and from 1987 to 1994 I was an owner in the engineering-architectural firm of SSOE, Inc. and served as the shareholder in charge of the Nashville office. Approximately 50 of the firm's 600+ engineers, architects, and designers worked in the Nashville office where we conducted a general consulting engineering practice. This practice included water and waste water system design and environmental engineering.

After becoming involved with On-Site Systems, Inc. in 1994, I traveled extensively to seminars, exhibitions, and symposiums to learn about current technical developments in the on-site sewer industry and to talk to people from all parts of the United States about research and on-site sewer system developments in their regions.

I was one of the founders of the Tennessee On-Site Wastewater Association and last year I was elected to a three year term on the board of the National On-Site Wastewater Recycling Association.

In preparing this petition I generated most of the data presented in the financial information section, the revised tariff sheets, and the exhibits. The estimates used are based on a combination of actual maintenance experiences with on-site systems, industry norms, equipment manufacturer information, and in the case of estimates for long term equipment replacement, information from system operators in the state of Oregon.

On April 4, 1994 the Public Service Commission granted to the company its original certificate of need and necessity to provide sewer service to Oakwood Subdivision in Maury County. In October of 1994, I became a stockholder of On-Site Systems, Inc. and

was elected president of the corporation; Robert Pickney was elected as vice president, Thomas Pickney as treasurer, and William Pickney as secretary.

On-Site Systems was subsequently awarded additional service territories by the Tennessee Regulatory Authority to include Southridge Subdivision in Montgomery County (1997), Swan Harbor Subdivision in Roane County (1997), River Road Utility District in Cheatham County (1997), Milcrofton Utility District in Williamson County (1997), Tall Oaks Subdivision in Blount County (1998), Yoakum Hollow Development in Campbell County (1998), and Shreibman Development in Cannon County (1999).

In February of 1994, when On-Site Systems petitioned the Public Service Commission for a certificate of convenience and necessity to provide sewer service to Oakwood Subdivision, the process was not well understood by the officers of the corporation. In addition, the type of treatment and disposal to be used at that site had not been determined. The only known system component was the water tight collection system. A preliminary cost estimate for maintaining the collection system of \$8.49 per month was submitted as a starting point. Due to a lack of understanding of the process and thinking the rest could be added later, On-Site's representative allowed the process to proceed without adding any other costs associated with operating and maintaining the other components of the sewer system or costs of operating a utility company. As additional service territories were added, they were, by regulation, assigned the same rate of \$8.49 per month. When the company filed a tariff in 1998, it had to conform to the existing order of \$8.49.



Due to a variety of circumstances, from the time of the Commission's order on April 4, 1994 until December 31, 1998, there had been very little activity at Oakwood Subdivision and no customers had signed up for sewer service. At present, it appears that three customers will sign up for service in Oakwood Subdivision this year. Of the eight service territories that have been granted to On-Site, only Southridge Subdivision in Montgomery County had paying customers as of December 31, 1998.

Due to the nature of the approval process for subdivisions, the construction of the infrastructure, the sale of the lots, and then the building of homes, it is not uncommon to have a lag time of two years or more. By December 31, 1999 the company is expecting to have paying customers in Oakwood, Southridge, River Road Utility District, Tall Oaks and Yoakum Hollow Development. We expect to average 47 customers for 1999.

It was fortunate for On-Site Systems that the only paying customers in 1998 were in Southridge Subdivision where costs for treatment and disposal by the city of Clarksville were passed through to customers. The financial loss that the company suffered in 1998 would have been considerably worse if treatment and disposal had been provided without the ability to recover the costs.

In the years 1992 through 1998, the Pickney brothers had incurred documented start up costs of \$143,297.76. These costs, which were born by Pickney Brothers, Inc., were passed along to On-Site Systems, Inc. in the form of a loan. Realizing the slow process of building out subdivisions and the small number of customers in the early years, Pickney

Brothers, Inc. agreed to expect accrual of interest with no payment in 1999 and payment of interest only (at 6%) for the years 2000 through 2003. A schedule for paying back principal and interest, starting in the year 2004, will be formulated jointly by the TRA and On-Site Systems, Inc. at that time.

In order for On-Site Systems to be a viable company and provide sewer service to it's customers, it is necessary to request a rate increase to include other system cost components such as treatment system maintenance and operation costs (exhibit 2), utility costs (exhibit 3), disposal system costs (exhibit 4), sampling, testing, and reporting costs (exhibit 5), billing and collection costs (exhibit 6), miscellaneous costs (exhibit 7), State of Tennessee Department of Environment fee (exhibit 8), bonding costs (exhibit 9), taxes (exhibits 10, 11, & 12) and management fees (exhibits 14 & 15). None of the above costs were included in our original tariff. In addition, fees which are standard in the industry, such as for late payment(5%), disconnection(\$10), re-connection(\$15) and returned checks(\$20), need to be authorized. These fees have been added in the proposed revised rules and regulations.

The build out of a subdivision is often slow and it is necessary to charge a sewer access fee to the owner of each lot to cover the cost of monthly testing required by the State of Tennessee Department of the Environment. This alleviates the problem of having 3 to 4 paying customers and a \$350 monthly testing fee for treatment at that development. A sewer access fee(\$84/year) has been added to the proposed revised rules and regulations.

The contract between On-Site Systems, Inc. and the developer requires that the sales contract for lots sold notify buyers of their responsibility to pay the access fee.

With several new systems starting up this year, it is imperative that the proper rate structure and fees be put in place to insure that the company can provide sewer service to these customers as it is chartered to do. As is evident from the tariff sheets and exhibits, the appropriate monthly sewer service fees to customers ranges from a low of \$30.87 for River Road Utility District to a high of \$36.93 for Milcrofton Utility District.

When compared to sewer service costs for other cities and communities in middle Tennessee, these rates are in the middle range. For an average of 6,000 gallons per month of usage, customers pay the following rates in cities:

Franklin	\$ 14.49
Ashland City	20.40
Columbia	25.70
Nashville	27.76
Pegram	28.30
Kingston Springs	29.80
White House	37.60
Fairview	69.00
Ridgetop	69.30

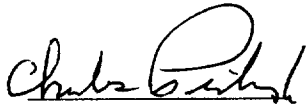
When cities provide sewer service to customers outside the city limits, the rates are

typically higher. As an example, for 6,000 gallons / month, Franklin charges \$23.97 .

In most cases cities do not provide sewer service outside their city limits and counties cannot afford the costs of providing sewer service. Those of us involved with On-Site Systems are happy that the company is able to provide a badly needed service at a reasonable cost to people that would most likely not get the service they need any other way.

I believe that the rate increases and added fees in our petition, based on the best cost estimates available, are reasonable and fair and will enable On-Site Systems to be a financially viable company and serve the needs of our customers.

This concludes my testimony.

A handwritten signature in black ink, appearing to read "Charles Pickney, Jr.", with a stylized, cursive script.

Charles Pickney, Jr.

**On-Site Systems, Inc.**

**Financial Information**

**Customer Projections**

**and**

**Financial Statements**

On-Site Systems, Inc.

Income Projections  
1999 and 2000

<u>Service Area</u>	Number Of Customers <u>1999</u>	* Total Projected Income <u>1999</u>	Number Of Customers <u>2000</u>	* Total Projected Income <u>2000</u>	Reference Tariff Sheet
Oakwood Subdivision - Maury Co.	3	\$1,310.04	6	\$2,620.08	2
Southridge Subdivision - Montgomery Co.	25	\$5,529.00	40	\$8,846.40	3
Swan Harbour - Roane Co.	0	0	3	\$1,253.88	4
River Road Utility District - Cheatham Co.	2	\$740.88	11	\$4,074.84	5
Milcrofton Utility District - Williamson Co.	0	0	25	\$11,079.00	6
Tall Oaks Subdivision - Blount Co.	14	\$5,851.44	30	\$12,538.80	7
Yoakum Hollow Development - Campbell Co	3	\$1,253.88	8	\$3,343.68	8
Shreibman Development - Cannon Co.	0	0	25	\$10,449.00	9
<b>Total</b>	<b>47</b>	<b>\$ 14,685.24</b>	<b>148</b>	<b>\$54,205.68</b>	

Typical income calculation : For Oakwood Subdivision 1999  
(Monthly charge of \$36.39) x (12 months) x (3 houses) = \$1,310.04

\* Note : Pass through revenue not included.

On-Site Systems, Inc.

Income and Escrow Projections  
1999 and 2000

<u>Service Area</u>	Number Of Customers <u>1999</u>	* Total Projected Income <u>1999</u>	Escrow Amount	Number Of Customers <u>2000</u>	* Total Projected Income <u>2000</u>	Escrow Amount
Oakwood Subdivision	3	\$1,310.04	\$364.68	6	\$2,620.08	\$729.36
Southridge Subdivision	25	\$5,529.00	\$1,905.00	40	\$8,846.40	\$3,048.00
Swan Harbour	0	0	0	3	\$1,253.88	\$364.68
River Road Utility District	2	\$740.88	\$181.20	11	\$4,074.84	\$996.60
Milcrofton Utility District	0	0	0	25	\$11,079.00	\$3,039.00
Tall Oaks Subdivision	14	\$5,851.44	\$1,701.84	30	\$12,538.80	\$3,646.80
Yoakum Hollow Development	3	\$1,253.88	\$364.68	8	\$3,343.68	\$972.48
Shreibman Development	0	0	0	25	\$10,449.00	\$3,039.00
<b>Total</b>	<b>47</b>	<b>\$14,685.24</b>	<b>\$4,517.40</b>	<b>148</b>	<b>\$54,205.68</b>	<b>\$15,835.92</b>

Typical income calculation : For Oakwood Subdivision 1999  
(Monthly charge of \$36.39) x (12 months) x (3 houses ) = \$1,310.04

Typical escrow calculation : For Oakwood Subdivision 1999  
(Monthly escrow amount of \$10.13) x (12 months) x (3 houses) = \$364.68

\* Note : Pass through revenue not included.

**On-Site Systems, Inc.**  
**Profit and Loss**  
**January 1, 1998 through December 31, 1998**

Ordinary Income/Expense

Income

Interest Payment	\$7.97
Utility Service Income	<u>\$6,148.01</u>

<b><u>Total Income</u></b>	<b><u>\$6,155.98</u></b>
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Expense

630. Contractual Services	\$1,461.60
675. Miscellaneous Expense	\$28.00
Bank Service Charges	\$91.00
Billing Software	\$913.50
Maintenance Fee	\$500.00
Office Supplies	\$191.42
Reimbursement for Start up Cost	\$3,552.90
Taxes	

Franchise & Excise	\$25.00
Sales	\$108.25

Utilities	
Gas & Electric	\$124.34
Water- Oakwood	\$16.30
Utility- Other	<u>\$15.76</u>

<b><u>Total Expense</u></b>	<b><u>\$7,028.07</u></b>
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<b><u>Net Income</u></b>	<b><u>-\$872.09</u></b>
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On-Site Systems, Inc.  
Projected Profit and Loss  
January 1, 1999 through December 31, 1999

**Operating Income & Expense**

**Income**

Sales to residential customers	*	\$14,685.24
Sales to commercial customers		0.00
<b>Total Income</b>		<b>\$14,685.24</b>
Escrow amount		<u>(\$4,517.40)</u>
<b>Operating Income</b>		<b>\$10,167.84</b>

**Expense**

Contractual Services	\$5,820.24
Materials and Supplies	\$500.00
Miscellaneous Expenses	\$800.00
Franchise & Excise Tax	\$464.48
Other Taxes	<u>\$1,003.92</u>
<b>Total Expense</b>	<b>\$8,588.64</b>

<b>Net Operating Income</b>	*	<b>\$1,579.20</b>
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\* Note : does not include escrow funds for equipment replacement and tank pumping

**On-Site Systems, Inc.**  
**Projected Profit and Loss**  
January 1, 2000 through December 31, 2000

**Operating Income & Expense**

**Income**

Sales to residential customers	*	\$54,205.68
Sales to commercial customers		0.00
<b>Total Income</b>		<b>\$54,205.68</b>
Escrow amount		<u>(\$15,835.92)</u>
<b>Operating Income</b>		<b>\$38,369.76</b>

**Expense**

Contractual Services	\$25,779.36
Materials and Supplies	\$1,800.00
Miscellaneous Expenses	\$1,200.00
Franchise & Excise Tax	\$1,456.32
Other Taxes	<u>\$3,161.28</u>
<b>Total Expense</b>	<b>\$33,396.96</b>

<b>Net Operating Income</b>	*	<b>\$4,972.80</b>
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\* Note : does not include escrow funds for equipment replacement and tank pumping

# **On-Site Systems, Inc.**

## **TARIFF**

**Proposed Effective date 8-1-99**

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**On- Site Systems, Inc.**  
**Sewer Service Billing Structure**  
**Oakwood Subdivision**  
**Maury Co.**

**Residential Sewer Rate**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand - Gravel Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Maury County	\$1.56	0	9
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
<b>Total</b>	<b>\$36.39</b>	<b>\$10.13</b>	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection- \$15, Returned Ck - \$20, Access - \$84/yr  
(See Rules and Regulations for explanation)

**Commercial Sewer Rate**

No commercial customers are anticipated on this system

Effective \_\_\_\_\_

**On-Site Systems, Inc.  
Sewer Service Billing Structure  
Southridge Subdivision  
Montgomery Co.**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment and disposal - by the city of Clarksville - pass through of actual costs	actual costs	0	15
Utility costs - Pumping Station and Metering Station	\$0.85	0	3
Sampling and Testing costs - Required by State of Tennessee	\$0.00	0	
Billing and collection costs	\$1.50	0	6
Miscellaneous costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.00	0	
Bonding costs - Required by Montgomery County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.00	0	
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
<b>Total</b>	<b>\$18.43 + act cost</b>	<b>\$6.35</b>	

Fees: Non payment - 5%, Disconnection - \$10, Reconnection - \$15 Returned Ck- \$20 Access - \$84/yr  
(See Rules and Regulations for explanation)

**Commercial Sewer Rate**

\$25.00 + pass through of actual treatment and disposal costs

Effective \_\_\_\_\_

**On-Site Systems, Inc.  
Sewer Service Billing Structure  
Swan Harbor  
Roane County  
Residential Sewer Rate**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand - Gravel Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Roane County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
<b>Total</b>	<b>\$34.83</b>	<b>\$10.13</b>	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection- \$15, Returned Ck - \$20, Access - \$84/yr  
(See Rules and Regulations for explanation)

**Commercial Sewer Rate**

Commercial rates will be based on waste strength, system components and gallons of flow -unknown at this time

Effective \_\_\_\_\_

**On-Site Systems, Inc.**  
**Sewer Service Billing Structure**  
**River Road Utility District**  
**Cheatham County**  
**Residential Sewer Rate**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs -for Lagoon System	\$2.60	\$1.20	2
Utility costs - Lagoon treatment	\$0.30	0	3
Disposal system costs - point discharge	\$0.00	0	4
Sampling and Testing costs - Required by State of Tennessee	\$9.20	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Cheatham County	\$0.00	0	9
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
<b>Total</b>	<b>\$30.87</b>	<b>\$7.55</b>	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection-\$15, Returned Ck - \$20, Access - \$84/yr  
(See Rules and Regulations for explanation)

**Commercial Sewer Rate**

Commercial rates will be based on waste strength, system components and gallons of flow -unknown at this time

Effective \_\_\_\_\_



**On-Site Systems, Inc.  
Sewer Service Billing Structure  
Milcrofton Utility District  
Williamson Co.**

**Residential Sewer Rate**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs -Sand -Gravel Filter Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	6
Billing and collection costs	\$1.50	0	7
Miscellaneous Costs	\$0.40	0	8
State of Tennessee Department of Environment Annual Fee	\$0.52	0	9
Bonding costs - Required by Williamson County	\$2.10	0	10
Franchise - Excise Taxes - Utility Company	\$0.82	0	11
Property taxes -Williamson County	\$0.67	0	12
Federal Taxes	\$1.11	0	13
Local management fee	\$2.00	0	14
Corporate management fee	\$2.80	0	15
<b>Total</b>	<b>\$36.93</b>	<b>\$10.13</b>	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection-\$15, Returned Ck - \$20, Access - \$84/yr  
(See Rules and Regulations for explanation)

**Commercial Sewer Rate**

Commercial rates will be based on waste strength, system components and gallons of flow -unknown at this time

Effective \_\_\_\_\_

**On-Site Systems, Inc.**  
**Sewer Service Billing Structure**  
**Tall Oaks Subdivision**  
**Blount County**  
**Residential Sewer Rate**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand - Gravel Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Blount County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
<b>Total</b>	<b>\$34.83</b>	<b>\$10.13</b>	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection-\$15, Returned Ck - \$20, Access - \$84/yr  
(See Rules and Regulations for explanation)

**Commercial Sewer Rate**

No commercial customers are anticipated on this system

Effective \_\_\_\_\_

**On-Site Systems, Inc.**  
**Sewer Service Billing Structure**  
**Yoakum Hollow Development**  
**Campbell County**  
**Residential Sewer Rate**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand - Gravel Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Campbell County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
<b>Total</b>	<b>\$34.83</b>	<b>\$10.13</b>	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection- \$15, Returned Ck - \$20, Access - \$84/yr  
(See Rules and Regulations for explanation)

**Commercial Sewer Rate**

No commercial customers are anticipated on this system

Effective \_\_\_\_\_

**On-Site Systems, Inc.**  
**Sewer Service Billing Structure**  
**Shreibman Development**  
**Cannon County**  
**Residential Sewer Rate**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand - Gravel Filter treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Cannon County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
<b>Total</b>	<b>\$34.83</b>	<b>\$10.13</b>	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection-\$15, Returned Ck - \$20, Access - \$84/yr  
(See Rules and Regulations for explanation)

**Commercial Sewer Rate**

Commercial rates will be based on waste strength, system components and gallons of flow -unknown at this time

Effective \_\_\_\_\_

**On-Site Systems, Inc.  
Sewer Service Billing Structure  
Cornerstone of Mitchell Creek  
Overton County**

**Residential Sewer Rate  
(See sheet 10A)**

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>	<u>Reference Exhibit</u>
Collection System Maintenance and operation	\$8.95	\$6.35	1
Treatment system costs - for Sand - Gravel Filter System	\$6.23	\$2.90	2
Utility costs - Sand gravel treatment & Pump station	\$1.30	0	3
Disposal system costs - using drip irrigation	\$1.53	\$0.88	4
Sampling and Testing costs - Required by State of Tennessee	\$7.00	0	5
Billing and collection costs	\$1.50	0	6
Miscellaneous Costs	\$0.40	0	7
State of Tennessee Department of Environment Annual Fee	\$0.52	0	8
Bonding costs - Required by Overton County	\$0.00	0	
Franchise - Excise Taxes - Utility Company	\$0.82	0	10
Property taxes	\$0.67	0	11
Federal Taxes	\$1.11	0	12
Local management fee	\$2.00	0	13
Corporate management fee	\$2.80	0	14
<b>Total</b>	<b>\$34.83</b>	<b>\$10.13</b>	

Fees: Non payment- 5%, Disconnection- \$10, Reconnection-\$15, Returned Ck - \$20, Access - \$84/yr  
(See Rules and Regulations for explanation)

**Commercial Sewer Rate**

Commercial rates will be based on waste strength, system components and gallons of flow -unknown at this time

Effective \_\_\_\_\_

**On-Site Systems, Inc.  
Sewer Service Billing Structure  
Cornerstone of Mitchell Creek  
Overton County**

**Residential Sewer Rate**

On-Site Systems, Inc. petitioned the TRA on May 19, 1999  
for a Certificate of Convenience and Necessity to serve this development.  
As of the date of this rate petition, this CCN has yet to be approved and  
this service area is not included in any customer or financial projections.

## Exhibit 1

### On-Site Systems, Inc. Collection System Operation and Maintenance Costs

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Tank pumping - usually once in 3 to 4 years - average -each (42 months) \$130 per pumping /42 = \$3.10 / month	\$3.10	\$3.10
Equipment replacement costs - for pumps, control panels, valves, etc. - average over a 20 year period - (240 months)		
Materials and equipment costs - 1 pump, 1/2 control panel, 2 float switches - cost - \$570.00		
Labor costs - 7 hours at \$30 / hour = \$210.00		
Total - \$780/240 = \$3.25	\$3.25	\$3.25
Preventative maintenance - annual system checks and corrections labor - .44 hr @ \$30/ hr = \$13.20 : \$13.20 / 12 months = \$1.10 / month	\$1.10	0
Service calls - based on Ashland City and Oregon information - service truck and technician - .025 hr per home / mo X \$60.00 / hr = \$1.50	\$1.50	0
	<hr/>	<hr/>
Total	\$8.95	\$6.35

## Exhibit 2

### On-site Systems, Inc. Treatment System Costs

#### Sand Gravel Filter

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Annual preventative maintenance - clean dosing system - check valves - check pumps - clean top of filter - check electrical control system - clean recirculating tank Costs - somewhat variable depending on filter size average - one hour per EDU per year - cost \$30.36 / 12 = \$2.53	\$2.53	0
Trouble calls - .02 hr / month/ EDU : .02 x \$40.00 / hr = \$.80 / month - based on historical record of filters maintained by Pickney Bros.	\$0.80	0
Equipment replacement costs - pumps, valves, media, electrical control systems - (Average over 20 year period - 240 months) For 40 EDU - Pump costs - \$ 4,800.00 - one media replacement - \$20,000.00 Electrical control system components and misc.- \$3,040.00 average cost per customer per month = \$696.00 / 240 = \$2.90	\$2.90	\$2.90
<b>Total</b>	<b>\$6.23</b>	<b>\$2.90</b>

#### Lagoon

Annual preventive maintenance - remove vegetation, repair aerators, clean liner Estimated cost - \$1.10 per month per EDU	\$1.10	0
Trouble calls - .01 hr / EDU - .01 x \$30.00 / hr = \$.30 per EDU per month	\$0.30	0
Equipment replacement costs - averaged over 20 years Liner, valves, aerator system and controls - \$11,520.00 For 40 EDU - \$11,520.00 / 40 = \$288.00 / EDU - \$288.00 / 240 = \$1.20 / month	\$1.20	\$1.20
<b>Total</b>	<b>\$2.60</b>	<b>\$1.20</b>

\* Note: An EDU is an Equivalent Dwelling Unit. It represents one average household.



### Exhibit 3

#### On-Site Systems, Inc. Utility Costs

##### Systems with Sand Gravel Filter Treatment

The major utility will be electricity and the largest users of electricity are the pumps. For systems with sand gravel filter treatment and an average of 40 homes the estimated cost for electricity is \$32.00 per month.  $\$32.00 / 40 = \$0.80$  / month per home

Average  
Monthly  
Cost

Amount  
to be  
Escrowed

**\$0.80**

0

##### Systems with Lagoon Treatment

The major utility will be electricity which is needed to power the aerators and in some cases pumps. For systems with lagoon treatment and an average of 40 homes, the estimated cost for electricity is \$12.00 per month.  $\$12.00 / 40 = \$0.30$  / month per home

**\$0.30**

0

##### Systems with Pump Stations

The cost of electricity for pump stations will depend on the gallons of effluent being pumped.

Assuming a single pump station will serve 40 homes, the estimated cost of electricity per pump station is \$20.00 / month -  
 $\$20.00 \text{ per month} / 40 \text{ homes} = \$0.50 \text{ per home per month}$

**\$0.50**

0

##### Systems with Metering Stations

The average monthly cost of electricity for a Metering Station is \$14.00  
 $\$14.00 / 40 \text{ homes} = \$0.35 \text{ per home per month}$

**\$0.35**

0

## Exhibit 4

### On-Site Systems, Inc. Disposal System costs

#### Drip irrigation

	Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
Annual preventative maintenance - check dosing system, clean distribution piping system, clean filters, check electrical control system Cost - .135 hrs / EDU / year x \$40.00 / hr = \$5.40 / year = \$.45 / month	\$0.45	0
Trouble calls - variable depending on travel time Cost - .06 hrs / EDU / year x \$40.00 / hr = \$2.40 / year = \$.20 / month	\$0.20	0
Equipment replacement costs - Pumps, filters, drip pipe distribution system, electrical control system Cost - (over a 20 year period) - \$211.20 / 240 - per EDU / mo = \$.88 / month	\$0.88	\$0.88
	<hr/>	<hr/>
<b>Total</b>	<b>\$1.53</b>	<b>\$0.88</b>

## Exhibit 5

### On-Site Systems, Inc.

#### Sampling, Testing and Reporting Costs

	Average Monthly Cost	Amount to be Escrowed
<p>The State of Tennessee, Department of the Environment, Division of Water Pollution Control, issues an operating permit for each sewage treatment facility and as part of the permitting process, sets limits on the amount of various components of the waste stream that can be discharged. In order to monitor the process, the state requires the operator to evaluate system parameters, take samples, have those samples tested in a qualified laboratory and report the results of those tests to the state. At present, these tests are required at least on a monthly basis, but can be more frequent depending on the permit and the type of disposal system. Other important variables in this process are the travel time to gather the samples and costs to get the samples to the laboratory. On-Site Systems intends to contract for these services across the state with reputable companies as near to the systems as practical. Whenever it can be arranged, On-Site intends to require the company collecting the samples to do some system checks and minor adjustments.</p>		

#### With Drip Irrigation Disposal

<p>The average cost for this service is estimated at \$280.00 / month. This estimate is based on preliminary experience with contracting for these services and the expected permit requirements by the state. For an average of 40 homes per system the monthly cost per home is <math>\\$280.00 / 40 = \\$7.00</math></p>	\$7.00	0
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#### With Lagoon and Point Discharge Disposal

<p>The average cost of this service is estimated at \$368.00 / month. This estimate is based on infrequent discharges (probably two per month and minimal testing requirements). If more frequent discharges become necessary this cost will rise substantially. For an average of 40 homes per system the monthly cost per home is <math>\\$368.00 / 40 = \\$9.20</math></p>	\$9.20	0
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## Exhibit 6

### On-Site Systems, Inc.

#### Billing and Collection Costs

It is the intention of On-Site Systems, Inc. to use the most efficient means of billing and collection available for each service area. As a practical matter, it is usually best if the water supplier (usually a Utility District) will do a joint bill for water and sewer. A survey of members of the Tennessee Association of Utility Districts showed that the charge for billing and collection services ranged from a low of \$1 per month to a high of \$2.50 per month. Due to facility and personnel constraints, many water suppliers are not willing to provide billing and collection services. In these situations, On-Site will endeavor to contract with a local company to do billing and collection. In some circumstances On-Site may be forced to pay premium prices for these services.

Average  
Monthly  
Cost

Amount  
to be  
Escrowed

Estimated Billing and Collection Costs

**\$1.50**

0

## Exhibit 7

### On-Site Systems, Inc.

#### Miscellaneous Costs

This category covers costs such as legal enforcement of contracts, annual TRA fees, rate case expenses and other costs that do not fit into the above categories.

	Average Monthly <u>Cost</u>	Amount to be <u>Escrowed</u>
Estimated Miscellaneous Costs	<b>\$0.40</b>	<b>\$0</b>

## **Exhibit 9**

### **On-Site Systems, Inc.**

#### **Bonding Costs**

It is the position of On-Site Systems, Inc. that with the oversight of the Department of the Environment, Division of Water Pollution Control and the Tennessee Regulatory Authority and the set aside of escrow funds to provide for tank pumping and future equipment replacement needs, that a bond is not necessary to insure the security of the sewer system and the company in the future. Unfortunately, some local governing bodies have imposed bonding requirements on the company. While a legal challenge could be made to their actions, we have chosen to cooperate and provide the required bonding. It is hoped that over time as more and more of these systems prove their successful operation, these bonding requirements will be reduced or eliminated.

#### **Maury County Oakwood Subdivision**

At present, the Maury County Commission is requiring On-Site to provide a \$100,000.00 bond in the form of a letter of credit at Cheatham State Bank. The normal cost of a letter of credit is 1% ; in this case \$1,000.00. Since we expect to only have 3 customers in Oakwood Subdivision this year, this is a problem. Due to a very good business relationship with the bank, the fee was waived for 1998. It is uncertain what will happen for 1999 and beyond. In order to keep the sewer rate for Oakwood in the moderate range, it was estimated that over a 5 year period the number of homes in the subdivision will grow to an average of 40 and the bond will be reduced in stages from \$100,000.00 to \$50,000.00.

Average Bond-  $\$100,000 + \$50,000 / 2 = \$75,000.00$ .

Cost of Bond-  $\$75,000 @ 1\% = \$750.00$

$\$750.00 / 12 \text{ mo.} = \$62.50 / \text{mo.}$

$\$62.50 \text{ mo.} / 40 \text{ homes} = \$1.56 / \text{mo.}$

Only time will tell if these assumptions are realistic.

Estimated monthly bonding costs - Maury County - **\$1.56**      Escrow - \$0.00

#### **Williamson County Milcrofton Utility District**

The first project going through the approval process in the Milcrofton Utility District in Williamson County is the Lewis Gardens Development. The Williamson County Planning Commission has not set a final bond amount, but it is anticipated that it will be substantial. It is expected that within 5 Years, Lewis Gardens could have 120 to 150 homes paying sewer bills. Assuming an average of 80 homes over those 5 years and an average bonding cost per year of \$2,016.00, the average monthly bonding cost per home for Lewis Gardens in Williamson County is \$2.10. ( $\$2,016.00 / 12 \text{ months} = \$168.00 / \text{month}$  : for 80 homes = \$2.10 per home per month )

Estimated monthly bonding costs - Williamson County **\$2.10**      Escrow - \$0.00

**Exhibit 11**  
**On-Site Systems, Inc.**  
**Property Taxes**

	<u>Average Monthly Cost</u>	<u>Amount to be Escrowed</u>
Property taxes on land based on treatment and disposal area needed for 40 homes		
Estimated land value - \$50,000		
Tax - based on estimated value - \$320.00 / year		
For an average of 40 homes - $\$320 / 480 = \$0.67 / \text{month}$	<b>\$0.67 / month</b>	<b>0</b>

## Exhibit 12

### On-Site Systems, Inc.

#### Federal Taxes

On-Site Systems, Inc. will have to pay tax on the net amount placed in escrow. In the years covered by our projection, this will result in a substantial outlay of cash for payment of taxes.

	Average Monthly <u>Costs</u>	Amount to be <u>Escrowed</u>
Escrow amount to be treated as profit - average over a 10 year period (Annual amount escrowed) - (annual equipment replacement costs) (\$121.56) - (\$77.16) = \$44.40 / yr.		
Net monthly taxable amount = \$44.40 / 12 = \$3.70 / month		
Estimated tax on \$3.70 = \$1.11	\$1.11	0



## **Exhibit 13**

### **On-Site Systems, Inc.**

#### **Local Management Fee**

It is the intention of On-Site Systems, Inc. to contract with other companies to provide local and regional management of the day to day operations. This is necessary to hold costs down and provide reliable service to numerous small systems throughout the state.

An example of this is the contractual arrangement that On-Site Systems Inc. has made with Southeastern Environmental Engineering of Knoxville to manage the East Tennessee Region. For a fee of \$2.00 per month , Southeast Environmental will manage the day to day operations of the company, insuring that maintenance providers, billing, collection and other services are being performed properly and that any customer problems are handled.

Local management fee -	<b>\$2.00</b> per customer per month
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## **Exhibit 14**

### **On-Site Systems, Inc.**

#### **Corporate Management Fee**

The four Pickney Brothers, Charles, Robert, William and Thomas, who own On-Site Systems, Inc. are pleased to be able to identify the need for sewer service in a given community and utilize their technical capabilities to provide an environmentally sound solution to that need and do so at a reasonable cost. There are many critical elements to insure that an On-Site sewer system is properly designed, constructed and maintained.

The Pickney Corporate Team has over 50 years of combined on-site sewer system experience. The Corporate Management Fee is compensation to the owners of the company for the company's ability to provide public sewer service to communities that would otherwise not have it and an incentive to continue to seek out additional opportunities to provide service.

Corporate Management Fee - **\$2.80** per month per customer

## **Exhibit 15**

### **On-Site Systems, Inc. Pass Through Treatment and Disposal Costs**

In most cases, On-Site Systems, Inc. will provide the collection, treatment and disposal systems needed to process the sewage from the customers served. Occasionally, a city or utility district has a treatment plant in close proximity to the service area and it is financially advantageous to run a pipe line to that plant instead of building treatment and disposal facilities.

#### **Example Southridge Subdivision - Montgomery County**

All of the sewer effluent collected from homes in Southridge Subdivision is sent by pipeline to the city of Clarksville. The city currently charges On-Site Systems the "outside the city limits" rate of \$5.40 per 1,000 gallons of effluent treated and disposed of. The costs are then passed through to the customers who live in Southridge. The monthly sewer bill to the customers in Southridge has two components, a fixed component which covers On-Site's costs and a variable component, based on water usage, which passes through the charges from the city of Clarksville. As an example, a customer who uses 5,000 gallons of water per month would have a pass through cost of  $5 \times \$5.40 = \$27.00$ . Per our contract with the city of Clarksville, they will adjust the amount they charge annually and On-Site will pass through that amount.

**Treatment and disposal costs - Pass through of actual costs**

**Escrow - \$0.00**

## **RULES AND REGULATIONS**

### **Governing the sewage collection and treatment systems of On-Site Systems, Inc.**

#### **Statement of Purpose**

The general purpose of these rules and regulations is:

1. To establish procedures for furnishing sewage collection and treatment services on a uniform basis to customers within the Company's service area.
2. To provide standards and procedures for:
  - a. Acceptable sewage characteristics
  - b. Protection of the integrity of the water tight system
  - c. Engineering design standards
  - d. Construction standards and inspection requirements
  - e. Quality of materials

#### **Definition of Terms**

1. Company - The word Company shall mean On-Site Systems Inc.
2. Engineer - The word Engineer shall mean the consulting engineer of On-Site Systems Inc.
3. Customer - The word Customer shall mean any person , firm, corporation, association or government unit furnished sewage services by the Company.

4. Property- The word property shall mean all facilities owned and operated by the Company.
5. TRA - The letters TRA shall mean the Tennessee Regulatory Authority.
6. STEP Tank - The words STEP Tank shall mean the septic tank located near the building which accepts waste and contains a pump vault.
7. STEG Tank - The words STEG Tank shall mean the septic tank located near the building which accepts waste and contains an effluent filter.
8. Service Line - The words Service Line shall mean the line from the STEP/STEG Tank to a Collector Line.
9. Collector Line - The words Collector Line shall mean the line from the Service Line to the Main Line.
10. Main Line- The words Main Line shall mean the line from the Collector Line to the treatment facility.
11. Building Outfall Line - The words Building Outfall Line shall mean the line that carries waste from the building to the STEP/STEG Tank .

12. Pumping Station - The words Pumping Station shall mean a tank that contains pumps and receives effluent from STEG Tanks and / or Collector Lines.

Authorization of Rules and Regulations

On-Site Systems, Inc. is a corporation organized and engaged in business as a public utility in the State of Tennessee. Under a Certificate of Convenience and Necessity issued by the Tennessee Regulatory Authority on April 4<sup>th</sup>, 1994, under Docket No. 93-09040, the Company submits the following statement of its rules and regulations in compliance with Rule 602.2.

Effect of Rules and Regulations

All provisions of these rules and regulations shall be incorporated in each contract with each sewage system customer of the Company.

Utility Items on Private Property

The Company shall own and maintain all STEP and STEG tanks, control systems and service lines required to provide sewer service on the Customer's premises.

The Customer must execute an agreement granting an easement to the Company for maintenance of the sewer system. The building plumbing and Building Outfall Line shall be maintained by the Customer.

Discontinuance of Service

Service under any application may be discontinued for the following reasons:

1. Non-payment of bill as hereinafter set forth below
2. For misrepresentation in the application
3. For adding to the property or fixtures without notice to the Company
4. For molesting any service pipe, tank, control system, filter or any property of the Company in any way whatsoever
5. For violation of any rules of the Company
6. For disconnecting or re-connecting service by any party, other than a duly authorized agent of the Company, without the consent of the Company

Non-payment penalties

A non-payment penalty of five percent (5%) of the monthly charge will be due after the due date shown on the bill. If payment is not received within fifteen days after the due date, a written notice will be sent to the customer. If payment is not received within 15 days of the written notice, sewer service will be turned off from the customer's property, with no additional notice being sent. No service shall be reconnected if discontinued for non-payment (or any other valid reason) until all charges have been paid, including disconnection and reconnection fees. The disconnection fee is \$10 and the reconnection fee is \$15.

Effective Date \_\_\_\_\_

Returned Checks

A check returned by the bank will incur a fee of \$20.00.

Changes in Ownership, Tenancy of Service

A new application and agreement must be made and approved by the Company on any change in ownership of property, or in tenancy, or in the service as described in the application. In the event of failure of a new owner or tenant to make such application, the Company shall have the right to discontinue service until such new application is made and approved.

Security Deposits

Each new Customer, before connection or reconnection of the service, will be required to make a refundable deposit to secure payment of sewage service bills in an amount double the monthly bill for that particular type of customer. Interest of six (6%) percent will be paid on any such refundable deposit for the period it is held by the Company.



Sewer System Access Fee

The owner of each property parcel which is provided a tap when the sewer system is built, will be required to pay a sewer access fee of \$84.00 per year.

This fee will be payable each year by December 15<sup>th</sup>, for owners of record as of December 1<sup>st</sup>. As each customer attaches to the sewer tap and signs up for service, they will pay a pro-rated access fee for that year and thereafter the fee will not be charged.

Engineering, Materials and Construction Standards

1. General - This specification covers the type of sewer system required for various design conditions of sewers constructed by developers.

The requirements called for are minimum in all cases. Bedding conditions, material specifications, sealing requirements and installation methods are the responsibility of the design engineer and must be approved by the Company Engineer. Design and construction of sewer lines shall meet the requirements of the State of Tennessee Department of Environment , in addition to this specification. Where conflicts exist, the more restrictive shall govern.

2. All sewage collection system components are to be water tight.

This includes Building Outfall Lines, all tanks, Collector Lines, Service Lines, and Main Lines. Collector Lines and Main Lines are to be tested to 100 pounds per square inch of water pressure. Risers and lids are to be water tight.

3. STEP and STEG Tanks are to be installed near the building to be served. The tanks are to be set in a level condition and tested for water tightness before backfilling.

4. All pipe is to be PVC. Classes and sizes will be per Engineer's design and in all cases SDR 21 class 2000 will be the minimum allowable.

5. Only wastewater drains are to be connected to the sewer system. No water sources such as roof drains, sump pumps, condensate lines and swimming pools shall be connected to the sewer system.

#### Special Pretreatment Sewage Requirements

For all sewage connections the Company reserves the right to require any non-residential user to provide special pre-treatment for any high strength effluent before discharge into its sewage system. The Company may, upon the basis of recognized engineering standards and treatment costs, increase the rate charged to

cover the cost of treatment of high strength effluent, commercial or industrial waste, and may impose standards as to the maximum size of solids and constituents in such waste discharged into its sewage system.

Additionally, if excessive volumes of sewage are received, the Company may require the Customer to monitor flow volume and increase surge holding capacity at the Customer's expense. All customers will be required to follow the Do's and Don'ts list for an Effluent collection system, supplied to them by the Company. These requirements prohibit the dumping of any toxic chemicals that kill tank bacteria and disposal of an excessive amount of grease, among other things.

#### Damages

The company shall in no event be responsible for maintaining any building outfall line owned by the customer, nor for damages created by sewage escaping therefrom, nor for defects in Customer's building lines or fixtures. The customer shall at all times comply with all regulations of the Tennessee Regulatory Authority and of the Company.

All leaks in any building pipe or fixture on the premises of the Customer shall be immediately repaired by the Customer. On failure to repair any such leak, the service may be discontinued until repairs are made.

Inspection

All pipes, valves and fixtures shall at all reasonable hours, be subject to inspection by the Company or its duly authorized agent.

In Event of Emergency

The Company shall not be liable to the Customer for interruption in service, or for damages or inconvenience as a result of any interruption, stoppage, etc., which was beyond the reasonable control of the Company. In case of an emergency, call 615-356-7294 or pager 615 -951-7048.

Service Area

The Company will provide service within it's current service area. Additions to the service area must be approved by the Tennessee Regulatory Authority.

Effective Date \_\_\_\_\_

### **Extension Plan**

The Company may furnish sewer service to property owners whose lands abut the Main Line of existing sewer systems. The sewer service charges listed in the sewer billing structure do not include costs for constructing the sewer system. Any sewer system components required to service such abutting properties shall be constructed at the cost of those parties desiring same, and these components shall become the property of the Company, to be credited to the account for contributions in aid of construction. In addition, treatment system component costs will be paid by the Customer desiring to hook on to the system. Sewer service to new areas within a service territory will be made available where it is technically feasible and the developer or property owner is willing to bear the expense of designing and building the sewer system.

### **Contributions in Aid of Construction**

Sewer system components furnished by developers and land owners to the Company will be recognized as contributions in aid of construction in the amount of the actual cost of construction. Capital contributions from developers will be treated in a like manner.

Contracts for Service

Each customer, before installation of service, shall be required to execute a Sewer Service Agreement.

Customer Billing Forms

Customer billings will vary by location. Where the local water provider is willing to do joint billing, that will be the method. In most instances, coupon books will be issued for payment of a flat monthly fee. In cases where pass through treatment costs and commercial customers are involved, a monthly bill will be sent to the customer and be based on the gallons of water used.

Public Contact

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On-Site Systems  
Rules and Regulations  
TRA # 2

Revised Sheet #12

Tennessee Regulatory Authority Regulations

The Company, in its operation, shall conform with all the applicable  
rules and regulations promulgated from time to time by the Tennessee Regulatory  
Authority. Phone # 1-800-342-8359

Effective Date \_\_\_\_\_